

**PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF REGULAR MEETING
DATE OF MEETING: JUNE 11, 2021**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 10:00am on June 11, 2021, at PE Partners’ offices in Franklin, Tennessee.

Board Members Present: Chairman Curtis Hayes, Vice Chairman Randy Brundige, Dr. Christa Martin, Mayor John Holden, Mayor Lois Preece, Mayor Mike Werner, Todd Smith, Commissioner Sam Tharpe, and Victor Lay.

PE Partners Staff Present: Michael Fann, President/CEO; Amanda Shrum, CFO; Halie Gallik, Board Secretary; George Dalton, Vice President of Risk Services; Celeste Taylor, Director of Human Resources; Embry Nichols, Vice President of Underwriting and Internal Services;

Also Present: Russ Farrar, Farrar & Bates; Ross V. Smith, Farrar & Bates; Grace Porterfield, Intern, Farrar & Bates; Jim Morrison, Public Risk Services; Mayor Ken Moore, President TML; Anthony Haynes, Executive Director, TML

Call to Order Chairman Hayes

I. APPROVAL OF MINUTES

Todd Smith made a motion to approve the minutes of the Board of Directors meeting from February 19, 2021, seconded by Dr. Christa Martin. **MOTION PASSED UNANIMOUSLY.**

Introduction and acknowledgement of Michael Fann: Michael re-introduced Embry Nichols as she had met this board previously. Now she has joined us as our Vice President of Underwriting and Internal Services. She joined us under difficult circumstances and has only been with us four of five weeks but already seems like she is part of the family. She and the underwriting team have truly been a blessing taking over during the difficult time of Jon’s passing and July renewal season and picking up the reigns and carrying on. She got all the rates that this board had just approved into the underwriting system and that team has just been amazing how they pulled together in a hard time.

We’ve also had a great response from not only our underwriting team, but also our IT team who reported to Jon and now report to Embry. And also, the Leadership Team pulling together in these circumstances; the way they responded in the most gut-wrenching and surreal situation in my career. I wanted to thank all of them, but certainly, Embry, your underwriting and internal services team really pulled together, and it’s been amazing to watch. You kind of reveal who you are during a crisis. One of my favorite quotes from philosopher James Allen was “Circumstance does not make the man; it reveals him to himself.” I think what our crisis has revealed about our team – we kind of knew all along, but it was certainly revealed in a big, big way.

And a quick word about Jon, he may not be with us here physically, but certainly his fingerprints are all over everything we do. His fingerprints are all over everything we are going to go over today in this board meeting. And those of you who were able to be

with us at our strategic planning retreat in October, you saw what a leader Jon Calvin was. So, I think it's appropriate to take a few seconds. So, I would ask you to join me for a moment of silence, and if you're so inclined, perhaps a brief, silent prayer for Becky, Marissa and Kristen and the rest of the Calvin family. Let's bow our heads...

II. STRATEGIC PLAN UPDATE

Chairman Hayes recognized Michael Fann and George Dalton.

Michael Fann expressed he was going to let George Dalton do the heavy lifting on this report. I just want to mention the Strategic Plan and the work that is ongoing. We are continuing to do training with our leaders and our second-tier leaders who we want to prepare for leadership roles. George has headed up this part-two of what we have engaged in so I asked if he would take a minute or two to update you on our current status.

George Dalton, Vice President of Risk Service - Thank you, Michael and I want to say good morning to everyone. It's good to see everybody's faces in person once again. I want to talk to you about our Leadership Organization Initiative that we have been working on for the last year or so. We have ongoing leadership and organizational development relationship with Judy King whom you are very aware of from our Board Retreat. And some things that we are happy to talk about is that internally we have our third leadership supervisor training with Judy coming up at the end of this month on June 30th. This leadership and supervisor training is significant for a couple of reasons. First, and foremost, it helps us stay focused for our mission, but secondly, it helps us be more responsive to the members that we serve out there. And ultimately it helps us to be more responsive to one another as we serve our members out there. Again, that is a positive thing. Another part of this that Michael alluded to us will also be working on our succession planning here at our organization at Public Entity Partners. As you are aware with the passing of Jon, anything can happen at any time to any one of us. And what we want to do is position our organization to be able to respond quickly after any negative event or any event that occurs by preparing our next level of leaders for leadership positions as the opportunities present themselves. Thirdly, at our last meeting I shared with you that each and every department has been working on their Key Performance Indicators (KPIs). These are measures or analytics that measure your efficiencies and effectiveness as a department and your goals that have been set for your department. Those will go into place July 1st, and we're excited about this because it will allow us to be focused on our members and responsive to their needs. So, as we get that information in, we can zero in on what concerns that they have and, more importantly, we can respond appropriately.

Another item I want to share with you is we have also developed our Strategic Plan for the new fiscal year. We're really excited about that. Once again, we covered this at our retreat, what we're planning on doing, but we met with Judy King, and we developed that Strategic Plan. As a matter of fact, Embry and I were just meeting yesterday to talk about many of the elements within that Strategic Plan. Things that Jon had worked on, and she is now taking over to move our organization forward. But the really amazing thing about it is our Strategic Plan is reflected within the budget proposal before you today. When you discuss the budget, you will even hear about how our Strategic Plan has influenced this year's budget process. And this is vitally important because what we've been able to do this year is to link this plan and the

budget together so that we can give you the “Why”. As you’ve heard, everything starts with Why. So, we can tell you what we’re doing and why we’re doing it and to basically point you in the direction and show you how the budget links back to the mission of the organization.

Another issue which is forthcoming that is very important is, and I want to give Halie a lot of credit for this, that she has worked on our member satisfaction survey for our organization. We have had some really positive results. As a matter of fact, our interns, which Michael will talk about a little later on, they’ve played a role, she’s brought them in, they’ve played a role, and we also have a handout in front of you if you want to see some of the details about it. But I’ll turn it over to Halie to see if there’s anything she wants to share with you in respect to our member satisfaction survey.

Halie Gallik, Board Secretary, Director of Communications & Research - We wanted to make sure with the member satisfaction survey that we were using unbiased questions that could be comparable to other industries and so we used a Net Promoter Score which is a common indicator of customer satisfaction and brand loyalty.

The survey itself was six questions with an open question at the end. We were able to take that data and benchmark it accomplish the goal of having a starting point of implementing a process to focus on overall customer satisfaction/member satisfaction. And then we will continue to develop our framework to have a way to develop stronger programs and services so we can target our information from people that are using those programs and services.

George thanked Halie. Again, the results are in the handout there in front of you. I believe you will be pleased with the results we got from this survey.

The last thing I want to share with you today is Halie and Celeste have been working on our employee engagement survey, which was an outgrowth of our strategic planing which everyone worked on together. This is being done by a third-party and we believe this will release on June 18th and hope to have it back by September of this year. When we get this back, we will know the results of how they feel about the organization, what their level of engagement is, and ultimately what we hope to do is turn around and improve the culture and keep it at a high level. We have a really strong group of professionals who do an awesome job on a daily basis, and we want to make sure as an organization we are responsive to their needs in order to keep them engaged and performing at a high level. This only benefits our members. We’re really tickled about that.

Those are some of the leadership organizational initiatives we have going on. I just wanted to take a few minutes to update you where we are and where we’re going as an organization. At this point, does anyone have any questions about any of this? If not, I thank you very much and I’ll turn it back over to the Chairman.

Chairman Hayes expressed job well done.

III. INVESTMENT POLICY UPDATE

Chairman Hayes recognized Amanda Shrum, CFO.

If you remember during the last board meeting, we looked at making small changes to our Investment Policy. We were looking at being able to invest in bonds that keep our portfolio where we want it to be. After that it was discussed that Russ would continue to review that policy to see if there were any other changes that needed to be done. He did not recommend any further changes and we don't foresee at this point that we need any additional changes. So, we wanted to get that back in front of you and let you know that this has been reviewed that this is the policy that we are operating from.

Chairman Hayes called for any questions of Ms. Shrum. No questions raised.

IV. FINANCIAL REPORTS

a. Financial Statements – Third Quarter

Amanda Shrum, CFO – You have the financial statements from 3/31/21 in front of you. I am not going to do a line item by line item, but I do want to call your attention to... if you look under the operating income, you will see a big swing. It looks like we are changing net position via a -8.4%. The fair value of our bonds in our portfolio decreased \$10.7 million from 7/1/20 to 3/31/21. If you'll remember last year, we came back and at the end of the year we had \$6.4 million in gains. As of 3/31/21 it had swung the other way to a \$4.3 million unrealized loss. I will say as of yesterday, we were back up to a \$3.8 million unrealized gain. So, we're seeing those shifts. We just wanted to bring attention to that so you can see that's where that number is coming from.

Our ending net position still sits at \$129 million. It is a \$12 million decrease, but we are still within our range for the capital adequacy policy. Our focus last year was to give back to our members. We gave dividends, did COVID relief, ... So, we expected that number to come down. We can't control the market prices, but the good news is as of 5/31/21 we had a \$9600 gain, and we're back up to over \$3 million as of today.

If you have any other questions about the financials as you review them, let me know and we will address those.

Chairman Hayes called for questions.

Mr. Lay, What is the total of our dividend, again?

Amanda Shrum, In February, it was \$7.5 million.

Mr. Lay, So, that's also reflected in this number?

Amanda Shrum, yes.

Michael Fann, 21 from last year.

Amanda Shrum, So a good portion of that did hit after 3/31 last year the COVID relief of \$14 million so that's going to be included in that change that you see from last year.

Mr. Lay, So when you look at that, just adding back the seven...

Amanda Shrum, We're not in bad shape. Sometimes those big numbers kind of... we just wanted to address that so you can see where we are. We are in good shape. We've done what we wanted to do this year.

Chairman Hayes, Good Job.

b. Investment Report – May 31, 2021

Amanda Shrum, CFO –Our market value as of May 31, 2021, was at \$283.6 million showing an unrealized gain of \$9600. It is an improvement from 3/31 which you remember on the financial statements for 3/31 was a \$4.3 million unrealized loss. Our average coupon is showing around 3.4% and our yield is holding at that 3% that we do

shoot for. At 5/31/20 last year, we had gains of \$5.8 million, this year we're at \$3.8 million so we are down a little bit. We are still getting gains. Our average return is right around 5.8%. We are still doing very well.

Chairman Hayes called for questions. No questions raised.

Victor Lay made a motion to accept the Financial Reports, seconded by Sam Tharpe. Roll call vote was taken. **PASSED UNANIMOUSLY.**

V. GENERAL AND ADMINISTRATIVE BUDGET – FY 2022

Chairman Hayes recognized Michael Fann and Amanda Shrum.

Michael Fann, president/CEO – I'll let Amanda cover the heavy-lifting. Obviously, this is the first budget we have worked on as a leadership team, ever, if that's fair to say. For us to have the ability to get together, talk about our strategic plans, talk about projects we're trying to accomplish and tie our budget to our change management, project management goals under our strategic plan; we conducted two meetings that were absolutely phenomenal. I want to thank the leadership team on that, and I want to specifically thank Amanda Shrum and her team for their diligent work putting this together because it was not easy. Because it was a change from the way we had done things for a while. So, I wanted to praise them. Amanda, I'm going to let you go through the details and we'll respond to questions.

Amanda Shrum, CFO – If you will look under the salaries and benefits you are going to see about a 10% increase in that. There are several factors that make that number. One, there is a 3% cost of living adjustment proposal in those numbers. We have also included a full year for our internship program. That is something new that we have done here. We've got three that are currently interning with us, and we want to extend that into next year and have it for a full year. So, there is a good bit of money in there because they are paid interns. So, there is money in there for that program. We also have added... I know at the board strategic planning we talked a lot about the resources that we have and the departments that were lacking help. We have added four completely new positions: two in the IT Department, managerial position in the Underwriting Department and we have an administrative position for our Executive Team. We have budgeted two full positions, thank goodness, in Finance that have been vacant for some time. So, we are back to a staff of five now and it has been very, very helpful.

So then if you will look down to the member-related expenses, of course, these are the programs and expenses that directly impact our members the most. Several of these expenses relate to our law enforcement professionals which is a large exposure for our members. We've increased our amount for the Virtual Academy subscription supplement, which provides law enforcement departments access to POST approved training and the ability to manage training records. The topics covered include de-escalation, decision making and use of force, which we all know is a problem across the country and a problem for us. We also increased the Police Risk Management Scholarship as part of the grant and scholarship program. We will continue to assist MTAS with two full-time positions. And those are areas that matter to the public and to our members. We also hope to provide a \$10,000 grant to help the use of force study by the University of Tennessee Law Enforcement Innovation Center. Our largest member-related expense is our grant and scholarship program we've had for many

years which provides funds directly to our members to provide safety equipment and pay for training and risk management education.

Stop me if you have any questions. If you look down at the administrative expenses. Considering everything that's happened this last year, we have budgeted for all employees to move from tower computers to Surfaces. That's keeping with our commitment to provide a seamless operation in the event of some kind of disaster or something that's going to keep our employees away from the office for any length of time. We also have added the employee development and educational expenses to our budget. That's something we have not done in the past. As part of our strategic plan, we identified the need of investing in our long-term development and support of our own team members.

The depreciation expense – we did include additional expense for the build-out downstairs that we have talked about. However, we did revise some of the previous depreciation budgeted items to kind of fall in line with our project priorities as we've gone through our strategic planning process. Once our build-out is complete downstairs, we plan to complete the rest of the first floor for additional training space for use by us, our members; whoever may need it.

The professional expense items which you see, we've increased our auditing/accounting/actuarial services to include a reserve review and a rate study this year. We have traditionally done a rate study every two years. This is the year for us to do it. So, there is extra money in there to do a rate study.

We are continuing our relationship with Judy Housley and Judy King. George talked about Judy King. She is helping us carry out our strategic plan, our key performance indicators; she does a wonderful job. Judy Housley is a senior loss control consultant and is training our East Tennessee consultant, Matthew Marshall.

So, overall, you'll see the largest change is in our internal positions that we've added. We have had employees who have had two and three different job titles, so we are trying to get ourselves staffed and ready to meet the needs of our members next year.

Any questions?

Chairman Hayes called for questions.

Todd Smith asked, I'm curious is part of that process to project revenues for next year? Amanda Shrum, We have normally provided the G&A budget. Once we get reinsurance finalized, we've got the rates and there are other issues. Then in September, that's when we provide the full pro forma budget that includes revenues, expenses... this is the part of the budget we can control.

Michael Fann, The biggest piece is going to be our claims and loss adjusting expenses. That's the prediction, or hopeful prediction, that we'll provide later. This budget is to cover our operation essentially.

Chairman Hayes recognized Commissioner Tharpe.

Commissioner Tharpe, Mr. President, I want to compliment you guys in tying in your strategic plan in your budget. To me that sort of justifies why you are doing what you're doing. And Michael, this direct quote a while ago to lead people - walk behind. And you continue to do that. And that's what I got out of working with the strategic plan with your staff. You've got some good people. You've got a good leader.

Commissioner Tharpe made a motion to approve the General and Administrative Budget for Fiscal Year 2022 seconded by Dr. Martin.

Chairman Hayes asked for discussion.

Dr. Martin, I would like to say here today that it looks like a natural progression for having a strategic plan last year and then to come and see and hear what you're saying about this budget for operation and how it's tied to the mission and what's in that plan. I think we have a unique opportunity now as a board to see the reality of the big picture and what's included in that especially what we're doing for our employees who are doing the heavy lifting for the middle, the east and the west across this great state that we work in. I'm excited to echo what Sam Tharpe just said and I can see on the faces of those around this table that everybody else was grasping what was being said. Because to tie a budget to the strategic plan is best practice that we are going to right now. And to come off of COVID-19 and to do this in this form, I'm very appreciate of this staff that we have here. Thank you so much.

Chairman Hayes, Oftentimes strategic plans are done but they are never followed out. It just looks good on paper. It's good to see that we're following through with it and incorporating it into our operations is just great.

We have a motion and a second, anymore discussion? This is for the approval of the General and Administrative Budget for Fiscal Year 2022.

Roll call vote was taken. **PASSED UNANIMOUSLY.**

Chairman Hayes expressed job well done by the Finance Department and Michael. It's amazing what we can do when we work together, isn't it?

Michael Fann, That's right.

VI. TML SPONSORSHIP CONTRIBUTION

Chairman Hayes recognized Michael Fann.

Michael Fann, President/CEO – Thanks, Mr. Chairman. This is the plan under Tab 6. I have briefed each of you individually on this. We have made some adjustments to this in the last couple of weeks to provide the League some additional time to get their financial house where it needs to be. The plan is to replace our current formula with a four-year plan to get our sponsorship contribution back to where it needs to be historically. You'll see the four-year plan in the coming year 2021-22 to provide a flat \$1.4 million which is what you just approved on the G&A budget. Then to reduce it for the two following years \$200,000 each year. As I talked with each of you the goal is to get to that \$750,000 - \$800,000. To continue to provide that level of support to the League, but to overcome some of the practices of the last 15 year and the way that

number had been increased. With that Mr. Chairman I would, for the purposes of discussion, ask for a motion to change our sponsorship formula to this four-year plan.

Chairman Hayes asked for discussion, or a motion and a second. Before any discussion starts...

Motion to approve the TML Sponsorship Contribution Four-Year Plan made by Victor Lay, seconded by Vice Chair Randy Brundige.

Chairman Hayes called for discussion.

Todd Smith, Mr. Chairman, I would like for us to consider, at least, and I'm for this, but when we get to the ultimate goal of \$800,000 considering an elevator or cost of living index in there that takes or recognizes an expense increase that may be some level of index to that \$800,000. I would probably get frustrated as a city manager, who was doing a revenue projection on property tax every five years the state wipes that growth that naturally occurs and takes that all away – property tax. I would get frustrated. I don't want to put TML in that same position if we are not accounting for the cost-of-living increase. Just a thought, suggestion.

Chairman Hayes recognized Mr. Smith's idea and thanked him for the suggestion. He then recognized Mayor Werner.

Mayor Werner – We have good leadership at TML, the Bond Fund and PEP and we talk a lot about transparency. I would just like to know why we're doing this, so I understand.

Chairman Hayes asked Michael Fann to explain.

Michael Fann – When we met, Mayor Hayes and I met with Anthony and Mayor Moore and Mayor Werner, you joined us on Zoom, I went through the numbers and I have gone through them with the rest of our board, individually. Again, this goes back to the historical approach. In the early years, up until about 15 year ago, the practice was a formula. And what was in The Pool board, now the PEP board, would take a look at those numbers, look at that formula, as a percentage of net-written premium, and that grew to about \$750,000. And at that point, or even before that, it was frequently discussed by this board that needs to be our contribution. Historically, that was what was said. Even two of our previous CEO's I heard both of them say it, that's what they said, I heard numerous chairmen of our board talk about the \$750,000. Obviously, that changed about 15 years ago, that was the schedule that I provided each of you of what we have provided over the last 15 years or so. And that coincides with Margaret and Bones pretty much running the League and to some degree telling us what our contribution would be. So that grew fairly consistently from that 2005-06 year up to about \$1.2 million in the 2017-18 year. At that point was when the League board discovered that the League's finances were in terrible condition, and we were approached by the League and the Bond Fund to make a one-time increase to that roughly \$1.2 million to a little over \$1.4 million. That was agreed to. And, again, it was called a one-time increase. The next year, they came back again and wanted a one-time \$100,000 increase so we went to roughly \$1.34 million that year. Then last year, was that agreement that Charles agreed to of raising our base to \$1.4 million. So, the one-time request has become the base. So, when I was interviewing for this position, I let it

be known that we need to get that under control. That the League needs to be able to stand on its own two feet. We want to contribute. I am a League guy. I got my start in all thing's municipalities in Tennessee as an intern at the Tennessee Municipal League. I love the Municipal League, but they need to be able stand on their own two feet. That was why we looked at the \$200,000. To, over a period of time, to get it back to roughly that \$750,000 level. Primarily because that \$200,000 reflected a 5-6% reduction in the annual budget. Reduction or replacement. So that's really where that came from to essentially correct 15 years of things that probably should not have happened.

Commissioner Tharpe –I was in the TML board meeting yesterday. And I'm sorry you didn't get to speak, it would have clarified things, but but you weren't called on to speak. But based on what you said, we're looking at \$1.4 million which was a one-year request. And previously a one-year request and previously a one-year request and previously a one-year request. It wasn't \$600,000, which is what I heard yesterday. But it's \$800,000 cap on it. When you're in a meeting and you hear things like that you wonder what to do. I heard you say that all of you guys met. Did you all cover this?

Michael Fann – Yes.

Commissioner Tharpe – I'm concerned, this is my disposition, I'm concerned. Because the way it came across yesterday, based on what I was just saying, we didn't hear this. Matter of fact, we heard \$600,000.

Commissioner Tharpe asked if there was any more discussion.

Dr. Martin asked the Chairman to be recognized. – I believe we talked about this in the strategic planning. There are subscribers to PEP that cannot be in TML. Do we have a clear list of who is in PEP that cannot be a member of TML?

Michael Fann – Yes, Dr. Martin, our membership makeup in terms of total entities participating is just short of 500. It's roughly 496 or so. There are roughly 310 cities and towns that participate in our program. That leaves roughly 185/186 somewhere in there who are local agencies, such as HRA's, Utility Boards, Housing Authorities, those sorts of agencies. So those 185, their piece of the \$1.4 million is roughly \$300,000. So that is part of the inequity that we are trying to not remove, you can't remove it, we don't need to remove it, but we need to make it better. We need to make it more equitable. We also have entities where their city councils have voted and made public their desire not to participate in the Tennessee Municipal League and they don't pay dues. And yet when they pay insurance premiums to us, we turn around, and in some cases, write over \$20,000 worth of funds to the Municipal League. That's an inequity. That's a bit of an issue. And then, on the other hand, we have other entities, I think it's 20 or so, 20 cities or towns that do not participate in PEP and so if those 20 are League dues-paying members, then they are contributing considerably less to the League than the bulk of our membership is simply because most what we pay to the League on behalf of our insureds generally is more than the League charges them in membership dues. I guess that was a long answer to a short question. My short answer is roughly 185 which represents roughly \$300,000 that we send to the League.

Dr. Martin – That's what I needed clarity on. Thank you, Mr. Chairman.

Chairman Hayes – Thank You. Any further discussion? Chairman recognized Commissioner Tharpe.

Commissioner Tharpe – I strongly believe that we were formed because of TML and the Bond Fund was too. It makes sense that we should support the TML. But let's be honest about it. If we can't sit down and talk and identify what those needs are, in this case, we have in the past which got us up to \$1.4 million. Our communication, our goals, and things, let's work together. Based on that I would like to lean on this recommendation and have something here to start with and see where we need to go.

Chairman Hayes – we have a motion and second already on the floor. Do we have any more discussion? Chairman recognized Mayor Holden.

Mayor Holden – You mentioned yesterday the meeting with TML. Of course, we're all involved with other organizations, I guess. So yesterday the discussion centered around a group/committee from this organization and one from TML. Tell me the function of that again? That surprised me and, I think, somebody else. Tell me going forward what the function of that group is.

Chairman Hayes – It is my understanding Mayor Moore and Mr. Haynes as president as well, if I'm speaking out of turn, please correct me. To figure out exactly this point forward what our relationship is going to be. Not only financially. Whether these entities can or will join hands and interact each other. It gives this an opportunity, and I have not even spoken to these gentlemen about it, but the word separation has been brought up several times. I've not got a clear definition on exactly what that is, but I don't think that TML would want to separate completely with PEP. I think there is some, according to what has been told to me, that possibly the Comptroller's office and Lieutenant Governor's office sees some of the same faces on two and three different boards. The question is, and Mayor Moore and I are going to get together and possibly have others, is this an opportunity, as Sam has said and Mayor Werner has said, is this an opportunity to start separating board members from organizations. Should we have a separate set of board members for Public Entity Partners? Should we have a separate set of board members for Tennessee Municipal League? And a separate set of board Members for Tennessee Municipal Bond Fund? That's one of the questions that I'm going to have the conversation. I've had the honor and luxury to sit on all three boards and have been for several years. I'm in this position because of Tennessee Municipal League. Because of Charles "Bones" Seviars. Because of Margaret Mahery. I've made my way up through the system. But I think maybe there is a question. And I think several of us are that has dual roles, maybe triple roles, is that part of the separation that we need to have a discussion about? I think there's other issues as well. At the end of the day, I don't think there's anything that we can't come to agreement with over a cup of coffee. I understand Mayor Moore makes good coffee. So, I think that's where we are. Did I answer your question?

Mayor Holden- Both of these organizations play a very important role. Several of us have been here since way back prior to Michael. Talking about transparency and all of that, we probably didn't get a lot of information. Nothing against anybody that's here. We didn't know what was going on, to be honest. Until that meeting in Knoxville. Some of you remember that. That was very difficult. So here we are now with a CEO that I think is a Hell of a guy that does a great job and a great man here that I think is a great guy as well with great leadership pulling the same direction for the people they

serve. That's what I want to continue to do. We ought to be on the same team. Different organizations but pulling the same way. This is my opinion. And I'm thankful because when some of us initially heard this, it was a three-year deal. And it was extended another year. So, the organization can plan better or budget better. It's not like we're pulling it all away right now. That's my opinion. I am thankful that we have great leadership in all three organizations. I'm thankful for the direction we're going in all three organizations.

Chairman Hayes called for further discussion. Roll Call Vote was taken. MOTION PASSED VOTE 8-1 Mayor Werner nay.

VII. CHARTER REVISION – CORPORATE ADDRESS

Chairman Hayes recognized Michael Fann.

Michael Fann, president/CEO – I'll introduce it. This was pointed out in a conversation that Halie had with Russ. We discovered that when we moved locations from Brentwood to Franklin, that we never voted on the official charter change of address. You've got a copy of the charter there under Tab VII. Essentially, that it right, Russ?

Russ Farrar, General Counsel – That's it. We're just going to change the address.

Michael Fann – So we would need a motion to do that change.

Russ Farrar – That's going to make the By-Laws in the system, the documentation that the Secretary of State has all correct.

Motion Made by Vice Chairman Randy Brundige to modify the Corporate Charter address of record to the Franklin address, seconded by Commissioner Tharpe.

Todd Smith – Will the charter now reflect PEP's new address?

Russ Farrar – Yes. What we will do is we will submit, for lack of a better term, an amended charter to the Secretary of State. Right now, they have a Charter, the only thing that is going to be changed on the amended Charter is the corporate address from Maryland Way to Franklin Road. We'll file it...

Michael Fann – This is required.

Russ Farrar – Right. The physical address is required.

Todd Smith – So in 30 years if we move again, we'll have to do this again.

Russ Farrar – Right. But it's funny, it's not a big deal to do at all. One page.

Ross Smith – Every year we file a annual report and we have changed it on that with the Secretary of State. We just haven't changed it on the actual Charter document. This is really a housekeeping matter with the Secretary of State to make sure we have it done.

Russ Farrar – Everything will be consistent that way. We don't ever want to be asked the question why does your Charter say you're here when you're operating here. That's all it is.

Chairman Hayes called for questions. We have a motion and a second.

Roll Call vote was taken. **PASSED UNANIMOUSLY.**

VIII. APPOINTMENT OF BOARD MEMBERS

Chairman Hayes recognized that Mayor Lois Preece, City of Niota; Mr. Todd Smith, City Administrator, Town of Greeneville; Commissioner Sam Tharpe, City of Paris; these folks are up for reappointment.

Motion made by Mayor Werner to reappoint these board members, seconded by Dr. Christa Martin. Roll Call Vote was taken. **PASSED 8 Yes, Commissioner Tharpe abstained.**

IX. OTHER BUSINESS

a. Status Report – Director of Human Resources, Celeste Taylor

Very quickly I just wanted to give you all an update on staffing. If you recall from our strategic planning meeting we discussed how most, if not all of us have more than one title and several job duties. We know this goes hand-in-hand with public service and we embrace the challenge to do more with less. The other side of that is that we face burn out as we have personnel burning the candle at both ends for extended periods of time. To offset that burnout, we have doubled our efforts in recruiting and staffing. Under the Loss Control Department, we have filled the East Tennessee Loss Control Consultant position vacated by Judy Housley's retirement. With the promotion of president Fann, George Dalton was serving as the assistant director of loss control, director of loss control, and the vice president of risk services. The recent promotion of Chester Darden to assistant director of loss control, alleviated some duties for George, but creates an opening for a Middle Tennessee Consultant. The recruitment period for that position has concluded and interviews will be held this month.

Under the Finance Department, this department has been operating with a staff of three since the retirement of Charles DeMore and one employee transferring to another department. We have hired an accounts payable/receivable specialist and an accountant bringing this back to a fully staffed department.

In Underwriting, we had the difficult task of filling the VP position. Embry is doing a great job serving as the vice president of underwriting and internal services. She walked in, rolled her sleeves up and has not slowed down yet.

Currently in IT, we have two positions open, claims system administrator and information technology project analyst. IT needs additional personnel due to our own growth and the ever-changing technology needs for the Claims Department. We have completed the recruitment process and are conducting interviews for these positions as well this month.

For all open positions we continue to use a panel which includes the staff from different departments. We do this to reduce the chance of hiring bias and assure objectivity as we evaluate the potential new hires.

We currently have 35 employees and, drum roll, we have three interns for the first time ever. This is our first venture with internships. It is part of reaching our goal to give back to the communities we serve. We believe, providing internships is a good opportunity for us to do that. Our goal is to improve our intern's employability, their academic outcome, and career determinations. All of our interns are seeking positions in underwriting or loss control and their experience so far has been beneficial to us as well as to them.

Michael Fann, president – Could I follow this up very quickly about the internship program? Amanda mentioned our desire to make that a year-round program and what we believe after much discussion – we've been wanting to do this for two or three years. And finally, we're able to make the time to get it done and put the program together. All three of our insurance and risk management graduates or majors who are about to graduate, and this also goes to our strategic plan. Not only do we need succession planning within the organization; almost every organization, especially insurance organizations that I talk to, are concerned about the next generation. Who's going to fill all of these retirements? We put this as it's part of our succession planning even though none of them may ever come to work here. But if part of our commitment to this industry to this discipline, to get people ready and interested. That this is a worthy task, a worthy career. We're very excited about it and our hope is that it will become a very routine program that college departments will expect. That every fall semester, ever summer semester, every spring semester, we're going to be looking for interns to prepare them for the future. Also, to prepare our industry for the future.

I want to thank Celeste for riding herd on that and getting that done. Anthony Roman in our Underwriting Department is their specific facilitator and coordinator for their activity. The two of them are doing an outstanding job with our interns.

Chairman Hayes – Sounds like you've been listening to the song from George Jones, "Who's Gonna Fill Their Shoes?"

b. Review of Key Contracts

Chairman Hayes acknowledged president Fann.

Michael Fann, president – Yes, Mr. Chairman. This was a practice that we started last year to give you a briefing of our key contracts. There is a list before you. This does not require any action on the part of the board. But we wanted to make this information available to you, the board and respond to any questions that you may have.

Item #1, obviously, one of our largest expenses, is our reinsurance contracts. We are about to start the second year of our two-year contract with Safety National. They have for many years now provided our Workers' Compensation reinsurance. Last year we added the Liability Program which you'll remember from last June. We moved that from Berkley to Safety National. They now provide reinsurance for

both Workers' Comp and Liability. Then the big chunk which we've talked about for many years is our Property reinsurance. So, those are our three huge contracts. There are smaller contracts within the Property program, because we have a layered program as most do.

Obviously, our relationship is ongoing with Public Risk Services and Jim Morrison's shop. They function, even though they are a third-party contract, they function as a department of PEP. When they answer the phones, they are PEP Claims. So, that relationship is ongoing.

Our sponsorship contribution with the Tennessee Municipal League. We moved our healthcare coverage this past year from Blue Cross/Blue Shield to United Healthcare so there's that contract in Item #4. The contract we have with Huber & Lamb Appraisals that comes with our Property program is Item #5. Farrar & Bates contract for General Counsel.

Then our Claims Management System, data system, is now with Origami Risk you can see that at Item #7. Our government affairs contract with Ramsey, Farrar & Bates is listed at Item #8.

Our relationship with the University of Tennessee's MTAS Organization for the law enforcement management program. Most of you will remember that we largely fund, not entirely, the two law enforcement consultant positions for MTAS which for many years Rex Barton has worked in that program and David Moore is the West Tennessee Consultant. I met with Margaret a couple of months ago and looked at the estimated amount there - \$213,000 and that's what we budgeted for.

We also have the relationship for our law enforcement online training program with Savant Learning Systems, Virtual Academy Learning out of Martin, TN. We are getting a lot of positive response and feedback from our police agencies. And that program is aimed at the smaller agencies that have 15 or fewer officers. We pay 2/3 of their subscription so they will have access to quality online training that the larger agencies do. One of the things I loved about that when I'm meeting with Police Chiefs is they come us, especially the larger agencies that we insure, and they thank us for doing that and they say "I know what you're doing. You're trying to help out these small agencies." The larger towns appreciate that too. So, that's a great program.

Our network security program managed by our IT group, is Item #11. Our media communications contract with Corporate Image out of Bristol, that's the program that Halie facilitates and manages as our Communications Director. Our audit services by LBMC listed at Item #13.

Then the change that we made, I guess it was last year, to add some online risk management tools through BLR resources that contract at \$65,000, which we basically provide access to those online tools to all of our membership at no charge to them. Then we have a secondary lobbying contract with Maggie Duncan to assist us on the risk management side with law enforcement things.

That's the list, any questions for me?

Commissioner Sam Tharpe – Just one question, do we have a contract with anyone that assists us with our investments?

Michael Fann, president – We do. We have an agreement/contract with them, but they take – perhaps I should defer this to Amanda – but there’s no fee. They take a percentage.

Commissioner Tharpe – What percentage do they take?

Amanda Shrum, CFO – Honestly, I would have to look that up.

Chairman Hayes – Sam, I think it’s somehow based on whether we get a return. It bounces as kind of a sliding scale. If we gave you an answer, which I don’t think we can, it would change tomorrow. I think that’s the way it works.

I want to thank you and George Dalton under your administration. I can recall back several years ago, before I was on the board, it was like pulling teeth to get things like contracts and information of exactly who we were doing business with. I’ll be honest, it took five or six years for me to get the concept, and maybe eight or nine years for me understand who we’re doing business with. So, I appreciate, even though this doesn’t need any action, but I appreciate you being completely transparent with us and trying to get every board member up to speed. Everybody knows what’s going on with PEP. So, I just want to thank you and your administration.

Michael Fann, president – You know, as board members, you should have this at your fingertips. No point in trying to memorize this. You’ve got a resource in this booklet we give you.

X. DATE OF NEXT MEETING

Chairman Hayes announced the date of our next board meeting will be September 18, 2021, in Chattanooga in conjunction with the TML Conference. I hope everyone is making plans to attend. I know that Mr. Haynes and his team is going to have an all-star lineup at the conference, so we look forward to that.

We are saying goodbye to a board member today. This will be Mayor Mike Werner’s last meeting as he will be rolling off as the TML president, which he has served and done a fantastic job. I appreciate his leadership, as we’ve found new leadership for an executive director under the COVID pandemic. You look better in person than you do via Zoom. However, I do appreciate the job you’ve not only done for TML, but also for PEP.

At our September meeting we will be having Mayor Moore, which will be added to the board to work with Mayor Moore from the City of Franklin as he will be a great addition. I believe his knowledge on the way government works and his experience will be a great asset to Public Entity Partners as we continue to strive to go in the right direction.

Motion to adjourn made by Victor Lay, seconded by Vice Chairman Randy Brundige. PASSED UNANIMOUSLY.